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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Modification of Contract Term of PURPA Power Purchase Agreements with Qualifying Facilities	**Docket No. 15-035-53**

PREFILED REBUTTAL TESTIMONY AND EXHIBITS OF BRYAN L. HARRIS

The Rocky Mountain Coalition for Renewable Energy hereby submits the Prefiled Rebuttal Testimony of Bryan L. Harris in this docket.

DATED this 14th day of October 2015.

HATCH, JAMES & DODGE

/s/ ________________________
Gary A. Dodge
Attorneys for the Coalition

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 14th day of October 2015 on the following:

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Modification of Contract Term of PURPA Power Purchase Agreements with Qualifying Facilities	))))))	Docket No. 15-035-53

Rebuttal Testimony of Bryan L. Harris

On Behalf of the

Rocky Mountain Coalition for Renewable Energy

October 14, 2015

Q. Please state your name, business address and employment.

A. My name is Bryan L. Harris. My business address is 285 North 100 West, Beaver, UT 84713. I am a Senior Development Manager for SunEdison.

Q. Are you the same Bryan Harris who submitted Direct Testimony in this docket on behalf of the Rocky Mountain Coalition for Renewable Energy ("Coalition")?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. I will respond to the testimony of Division witness Charles E. Peterson. I will explain why none of the "new financing vehicles" suggested by Mr. Peterson addresses the need for long term PPAs, and why the Division's suggestion for a five-year PPA term will make financing of renewable energy projects virtually impossible.

Q. What "new financing vehicles" does Mr. Peterson reference?

A. He references "yeildcos," "crowdfunding" and financing by "traditional bond and stock issuances based more on the size and reputation of the company and not so much on any particular project."[1]

Q. In your direct testimony you testified that a three-year PPA term would "almost certainly prevent project financing" for any new renewable energy projects, and that any PPA term of less than twenty years would make project financing very difficult.[2] Could any of these alleged "new financing vehicles"

[1] DPU Exhibit 1.0 DIR, lines 253 - 294.
[2] Coalition Exhibit 2.0, lines 50-53.

mentioned by Mr. Peterson make the financing of renewable energy projects more achievable?

A. No, none of the mentioned "vehicles" holds the potential of reducing the need for long-term price certainty in order to finance a renewable energy project. Moreover, I note that Mr. Peterson's testimony does not cite to any source that suggests any such "vehicle" would or could serve to reduce the long-term pricing certainty required to finance a significant renewable energy project.

With respect to a "yieldco," many companies, including SunEdison, currently utilize some version of this type of project structure, but such structural mechanisms do nothing to reduce the need for long-term pricing certainty in order to finance a renewable energy project. Indeed, long-term cash flows from projects form the basis upon which a yieldco's benefits, namely lower costs of capital, are derived. No reasonable source of debt or equity will be available for such a project absent long-term PPA price certainty. The use of a yieldco may help reduce the equity cost of a project, but it does nothing to eliminate the need for long-term pricing certainty in order to attract competitively priced debt or equity. Simply stated, project finance involving a yieldco has nothing to do with the critical need for long-term PPA pricing security required to attract reasonably priced capital.

As to crowdfunding, I am unaware of any use of such a mechanism to finance power projects requiring tens or hundreds of millions of dollars in capital. Nor is it clear how such a mechanism could or would work in the context of a significant renewable energy project.

Finally, Mr. Peterson's proposal that projects may avail themselves of "traditional bond and stock issuances" based on a company's assets for project finance rather than a project makes little sense to me. Even companies with very large asset bases and income, such as Berkshire Hathaway, must nevertheless finance projects with reasonable combinations of various types of debt and equity at reasonable rates in order to be competitive and properly discharge their obligations to stakeholders. Large companies are not able to competitively develop renewable resources by simply writing a check or pledging company assets. Rather, a competitive developer must secure the lowest cost of capital reasonably available, which requires project financing based on a PPA with a term roughly equivalent to the expected life of the facility.

Q. Mr. Peterson specifically mentioned your employer, SunEdison, and its asset base, presumably suggesting that SunEdison does not need long-term PPAs in order to develop renewable energy projects. How do you respond?

A. I do not know precisely what Mr. Peterson is suggesting by referencing SunEdison's asset base, but it is extremely unlikely SunEdison can or will develop new QF renewable energy projects in Utah if the maximum term of QF PPAs is reduced to three years or five years. Neither SunEdison nor any other company that must survive in a competitive environment, regardless of the magnitude of their assets, can develop or finance a renewable energy project with a PPA with such a short term

Q. What do you believe would be the impact on Utah renewable energy development if the maximum QF PPA term were reduced to five years?

A. I believe the result will almost certainly be an almost complete cessation of development of any new significant renewable energy resources in Utah by anyone other than a utility with a captive customer base to serve as security for financing.

Q. Mr. Peterson states that it is not the place of Utah regulators to "ensure that QF projects are economically viable."[3] Do you agree?

A. Absolutely. To my knowledge, none of the developers is asking for an assurance of economic viability for any project. Economic viability will depend upon a project's costs and returns relative to other competitors and opportunities. Developers are used to competing with others for economic viability. Our need for pricing certainty to attract capital has little to do with economic viability. Rather, it has to do with maintaining a structure that can facilitate and encourage the development of non-utility, non-traditional renewable energy projects when a project's costs and returns make it economically viable. That, as I understand it, is the intent and purpose of existing federal and state laws and policies. In my opinion, any failure to retain such a structure will frustrate the intent and purpose of those laws.

Q. Does this conclude your rebuttal?

A. Yes, it does.

[3] DPU Exhibit 1.0 DIR, lines 213 - 216.